

October 29, 2009

ALL ASSOCIATION MEMBERS

Circular Letter 09-1567

RE: NCCI Item B-1418 – Revisions to the Basic Manual Classifications for Air Traffic Controllers Under Contract with the FAA

The Minnesota Department of Commerce has approved the above filing to become effective 12:01 a.m., January 1, 2010, for new and renewal business.

The purpose of the above filing item is to create a new national classification treatment for air traffic controllers under contract with the Federal Aviation Administration (FAA) in NCCI's ***Basic Manual for Workers Compensation and Employers Liability Insurance***.

Prior to January 2007, air traffic controllers were classified as Code 8810 — Clerical Office Employees NOC. As a result of the approval of NCCI Item B-1399, Minnesota adopted NCCI's change to reclassify air traffic controllers who are under contract with the FAA with the other ground personnel at airports under Code 7403. As a result of further conversations with the aviation industry, however, NCCI has now reclassified air traffic controllers under newly established Code 7402.

MWCIA staff has reviewed NCCI's proposal and has determined there is not enough credible data to warrant the creation of a special classification code in Minnesota **only** for air traffic controllers who are under contract with the FAA. To allow member carriers writing workers' compensation insurance in Minnesota the ability to continue the use of Code 7403 on a national basis, however, air traffic controllers will be eliminated from Code 7403 and reassigned to Code 8810.

Exhibit I reflects the changes necessary to the ***Minnesota Basic Manual*** to implement Item B-1418 in Minnesota. To provide additional background information on this filing item, a copy of National Council Filing Item B-1418 is also included.

If you have any questions regarding this matter, please direct them to MWCIA's Member & Customer Services' staff at 952.897.1737 (Option 1) or via email at info@mwcia.org.

A NOTICE TO MEMBERSHIP:

MWCIA would like to remind our membership who have filed a Limited Power of Attorney with the Minnesota Department of Commerce that no materials referenced in this Circular Letter are required to be independently filed with the Department.

MINNESOTA BASIC MANUAL
PART TWO — CLASSIFICATIONS

*Effective **January 1, 2010***

CURRENT PHRASEOLOGY:		PROPOSED PHRASEOLOGY:		COMMENTS:
Code No.	Classification	Code No.	Classification	

	AVIATION (See Classification Interpretation Section)		AVIATION (See Classification Interpretation Section)	
	AIR CARRIER—SCHEDULED, COMMUTER, OR SUPPLEMENTAL. Applies to scheduled, commuter, or commercial air carriers, including cargo carriers that conduct operations with fixed-wing aircraft under Part 121 of the Federal Aviation Regulations. Ticket sellers and information clerks away from airport locations to be separately rated as Code 8810—Clerical. Note: Premium charges for non-ratable elements do not apply in the State of Minnesota.		SAME	
7405	FLYING CREW	7405	FLYING CREW	
NONE	NONE	8810	<u>AIR TRAFFIC CONTROLLERS UNDER CONTRACT WITH THE FAA</u>	CROSS-REFERENCE ADDED TO INDICATE AIR TRAFFIC CONTROLLERS ARE NOW CLASSIFIED AS CODE 8810.
	NONE		<u>Applicable to air traffic controllers under contract with the Federal Aviation Administration (FAA).</u>	
7403	ALL OTHER EMPLOYEES & DRIVERS Applies to ground personnel such as, but not limited to, maintenance and service personnel, information clerks, air traffic controllers , and security personnel. Ticket sellers or information clerks away from airport locations to be separately rated as Code 8810—Clerical. Members of flying crew to be separately rated under the appropriate aviation classification.	7403	ALL OTHER EMPLOYEES & DRIVERS. Applies to ground personnel such as, but not limited to, maintenance and service personnel, information clerks, and security personnel. Ticket sellers or information clerks away from airport locations to be separately rated as Code 8810—Clerical. Members of flying crew to be separately rated under the appropriate aviation classification.	REMOVAL OF AIR TRAFFIC CONTROLLERS FROM CODE 7403 & REASSIGNMENT TO CODE 8810. AFFECTS ALL CROSS-REFERENCE LOCATIONS.

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Code No.	Classification	Code No.	Classification	
	AVIATION (See Classification Interpretation Section)		AVIATION (See Classification Interpretation Section)	
7403	AIRPORT OR HELIPORT OPERATOR—ALL EMPLOYEES & DRIVERS. Applies to ground personnel such as, but not limited to, maintenance and service personnel, information clerks, air traffic controllers , and security personnel. Ticket sellers or information clerks away from airport locations to be separately rated as Code 8810—Clerical. Members of flying crew to be separately rated under the appropriate aviation classification.	7403	AIRPORT OR HELIPORT OPERATOR—ALL EMPLOYEES & DRIVERS. Applies to ground personnel such as, but not limited to, maintenance and service personnel, information clerks, and security personnel. Ticket sellers or information clerks away from airport locations to be separately rated as Code 8810—Clerical. Members of flying crew to be separately rated under the appropriate aviation classification.	REMOVAL OF AIR TRAFFIC CONTROLLERS FROM CODE 7403 & REASSIGNMENT TO CODE 8810. AFFECTS ALL CROSS-REFERENCE LOCATIONS.
NONE	NONE	<u>8810</u>	<u>AIR TRAFFIC CONTROLLERS UNDER CONTRACT WITH THE FAA</u>	CROSS-REFERENCE ADDED TO INDICATE AIR TRAFFIC CONTROLLERS ARE NOW CLASSIFIED UNDER CODE 8810.
	NONE		<u>Applicable to air traffic controllers under contract with the Federal Aviation Administration (FAA).</u>	

FILING MEMORANDUM

ITEM B-1418—REVISIONS TO THE BASIC MANUAL CLASSIFICATIONS FOR AIR TRAFFIC CONTROLLERS UNDER CONTRACT WITH THE FAA

PURPOSE

This item creates a new national classification treatment for air traffic controllers under contract with the Federal Aviation Administration (FAA), in NCCI's ***Basic Manual for Workers Compensation and Employers Liability Insurance***.

BACKGROUND

Effective July 1, 2006, Item B-1399 implemented several classification changes to ensure the uniform and equitable treatment of risks within the aviation industry. The focus of the proposed changes to the industry was to combine operations into classifications that reflect the exposures common to those operations. One of the changes assigned air traffic controllers to Code 7403—Aviation—Airport or Heliport Operator—All Employees & Drivers, and Aviation—All Other Employees & Drivers. Previously, air traffic controllers were assigned to Code 8810—Clerical Office Employees NOC. Over 90% of air traffic controllers are federal employees, so this recommendation was not expected to impact many risks. The specific impact could not be determined using any available data source.

Subsequently, NCCI was provided with additional information regarding these operations. There are air traffic control towers that are operated by risks under contract with the FAA. These risks are not federal agencies and do not have federal employees. Accordingly, and after further review of these operations, NCCI is now recommending a change to this classification treatment.

PROPOSAL

It is proposed that a new national classification be established, "Code 7402—Aviation—Air Traffic Controllers Under Contract with the FAA." This new classification is to be effective January 1, 2010 for new, renewal, **and outstanding** voluntary and assigned risk policies. The initial loss cost/rate for Code 7402 will be that of Code 8810—Clerical Office Employees NOC.

It is also proposed to amend the phraseologies for Code 7403 regarding air traffic controllers, so that references to that occupation are eliminated.

Alaska Specific:

In Alaska, air traffic controllers are currently assigned to Code 7414 because Code 7403 is not applicable in the state. It is proposed to amend the phraseologies for Code 7414 regarding air traffic controllers, so that references to that occupation are eliminated. It is also proposed that Alaska adopt the new national Code 7402.

Virginia Specific:

In Virginia, air traffic controllers are currently assigned to Code 8810. It is proposed that Virginia reassign this exposure and adopt the new national Code 7402.

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FILING MEMORANDUM

ITEM B-1418—REVISIONS TO THE BASIC MANUAL CLASSIFICATIONS FOR AIR TRAFFIC CONTROLLERS UNDER CONTRACT WITH THE FAA

NCCI recommends that Virginia update the scope descriptions for Code 7403, 7431, and 8810 to reflect the adoption of the new Code 7402.

IMPACT

New Code 7402 will take on the rates and rating values of Code 8810 until Code 7402 can be rated based on its own data. Rating values will be calculated according to the standard procedure, which will be based on NCCI's final proposed rates/loss costs.

It is expected that the creation of new Code 7402 will result in a significant premium **decrease** for the individual risks that are reclassified from Code 7403 to Code 7402. There should be no premium impact for any risks remaining in Code 7403, and no premium impact for the total statewide premium is expected.

Alaska Specific:

It is proposed that Alaska adopt the proposed new national Code 7402. It is also proposed that Alaska amend the phraseology for Code 7414 regarding air traffic controllers, so that references to that occupation are eliminated. It is expected that the creation of new Code 7402 will result in a significant premium **decrease** for the individual risks that are reclassified from Code 7414 to Code 7402. There should be no premium impact for any risks remaining in Code 7414 or for risks moving from Code 8810 into new Code 7402. No premium impact for the total statewide premium is expected.

Virginia Specific:

It is proposed that Virginia adopt the proposed new national Code 7402. Currently, air traffic controllers are assigned to Code 8810 in Virginia. There should be no premium impact for any risks moving from Code 8810 into new Code 7402, and no premium impact for Code 8810 or for the total statewide premium is expected.

IMPLEMENTATION

In order to implement this item, the attached exhibits detail the changes required in NCCI's **Basic Manual**.

- **Exhibits 1 and 2** contain the changes to national classification treatments and Appendix E.
- **Exhibit 3** contains the changes to state special classification treatments. **FILING NOTE:** The highlighted changes in the phraseology for Code 8810 are a result of Item B-1408, which has been approved in Virginia effective 12:01 a.m. on April 1, 2010. The ~~strike through~~ change in the phraseology for Code 8810 is the proposed content for Item B-1418.

NCCI recommends that the proposed change be implemented **effective 12:01 a.m. on January 1, 2010 applicable to new, renewal, and outstanding voluntary and assigned risk policies.**

In Hawaii, the effective date is determined upon regulatory approval of the individual carrier's election to adopt this change.

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